



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Chairman Grassley
"Taxpayer Beware: Schemes, Scams and Cons"
April 5, 2001

Today we highlight a growing problem – the hundreds of thousands of Americans who are participating in or considering participating in tax scams. Tax scams are as old as the tax code. The Internet is giving them a thriving new life.

The number of participants in these tax scams is growing like a weed. The Internet is greatly helping that growth. The Internet gives these tax con artists the unprecedented ability to reach out to millions of households cheaply and easily.

We will hear testimony today that tax scams are not limited by income or geography. Through the Internet, the con artists are making their pitch to Americans of every income level and targeting individuals throughout the country. For example, my own state of Iowa reports that it is seeing record levels of scams and abuse in the related area of securities fraud.

This hearing will give the American people a good understanding of the snake oil these hucksters are selling. We'll hear about the old-style scams – such as pure trusts, constitutional trusts, compensation for slaves' descendants, even setting up your own church – that are being put into new bottles and sold.

Let me be clear that the focus of this hearing is solely on those tax schemes that are wholly outside of the tax laws. This hearing is not about the grey areas of the tax law that have been referred to as corporate tax shelters. That is certainly an important topic, and one that the Committee will be reviewing and addressing later this year.

As important as educating the American people to beware of these tax con artists is reviewing the IRS' response to Internet-based tax fraud. Some of the bad apples claim they must be right because the IRS hasn't called them.

I'm worried by claims that the IRS is the dog that doesn't bark – or perhaps bark enough -- about Internet tax fraud. The IRS must be active in this arena, catching these hucksters early before they have time to sell their wares. "An ounce of prevention is worth a pound of cure" is certainly true here.

Of great concern are those promoters who are encouraging employers not to withhold income and payroll taxes for their employees. These employees are put in a terrible position – having to choose between the tax man and their jobs. That's not right and should be a top enforcement priority for the IRS.

The IRS should have active enforcement in this area. I think the agency can perform its

critical enforcement duties while still giving taxpayers the protections they are provided by the law. This is the same as the way police departments across the country are able to successfully perform their duties while balancing the need to protect citizens' rights.

The IRS, tax experts and we in Congress all have a duty to ensure that taxpayers don't listen to the siren song of the tax con artists, and even better, that taxpayers don't even hear the song in the first place.